

NATURAL RESOURCES

Overview

Background. The Resources Agency is responsible for the state's policies, programs, and activities relating to the conservation, management, and enhancement of California's natural and cultural resources, including land, fish, wildlife, water, timber, and minerals. The Resources Agency is led by the Secretary for Resources and the agency oversees the following departments, commissions, conservancies, and other boards and authorities.

Departments:

- California Conservation Corps
- Department of Conservation
- Department of Forestry and Fire Protection
- Department of Fish and Game
- Department of Boating and Waterways
- Department of Parks and Recreation
- Department of Water Resources

Commissions:

- State Lands Commission
- California Coastal Commission
- San Francisco Bay Conservation and Development Commission
- Delta Protection Commission
- Energy Resources Conservation and Development Commission
- Native American Heritage Commission

Conservancies:

- California Tahoe Conservancy
- State Coastal Conservancy
- Santa Monica Mountains Conservancy
- San Joaquin River Conservancy
- Coachella Valley Mountains Conservancy
- San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy
- Baldwin Hills Conservancy
- San Diego River Conservancy
- Sierra Nevada Conservancy

Other Boards and Authorities:

- Special Resources Programs (Tahoe Regional Planning Agency, Yosemite Foundation Program, and Sea Grant Program)
- Colorado River Board
- Wildlife Conservation Board
- California Bay-Delta Authority

Governor's Budget. The Governor's Budget proposes \$5.6 billion to support the Resources Agency in 2007-08. This is \$200 million less than estimated expenditures in the current year due to a reduction in capital outlay expenditure. The General Fund support for the Resources

Agency is expected to decrease by over \$689 million in the budget year due to increased reliance on bond funding.

Total State Fund Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
State Operations	\$ 3,886,105	\$ 3,954,723	\$ 68,618	1.8
Local Assistance	495,121	958,136	463,015	93.5
Capital Outlay	1,394,345	650,559	-\$743,786	-53.3
Total	\$ 5,775,571	\$ 5,563,418	-\$212,153	-3.7
Funding Source				
General Fund	\$ 2,161,394	\$ 1,472,092	-\$689,302	-31.9
Special Funds	1,941,837	2,061,283	119,446	6.2
Bond Funds	1,672,340	2,030,043	357,703	21.4
Total	\$ 5,775,571	\$ 5,563,418	-\$212,153	-3.7

Highlights

Infrastructure Bond. In November 2006 the voters passed Proposition 1E and Proposition 84, which provide a combined \$9.5 billion in general obligation bond funds for resources related uses, such as flood protection, water quality, and parks. The Governor's budget proposes \$1.2 billion in Proposition 84 bond funds for 2007-08. The majority of these funds are for water-related projects under the Department of Water Resources.

Future Proposed Bonds. In addition to this spending, the Governor has proposed a Strategic Growth Plan for the state that includes an additional \$5.95 billion in flood and water infrastructure investments and conservation over the next 10 years. General obligation bonds would provide \$3.95 billion and revenue bonds would provide \$2 billion.

Levee Repair Funds. In 2006, AB 142 (Nunez) provided \$500 million General Fund for critical levee repairs. The Governor's Budget proposes to return \$200 million of the AB 142 funds to the General Fund, and replace those funds with Proposition 84 bond funds.

Issues

Infrastructure Bond. The Legislature may wish to review how the infrastructure investments proposed in the Governor's budget will protect and restore the state's natural resources. Specifically, the Legislature may wish to review actual capital improvement needs versus those proposed for funding in the Governor's budget. The Legislature may also wish to evaluate the individual plans departments have for spending the bond funds they are proposed to receive, if

such plans exist. The 2006 Five-Year Infrastructure Plan identified over \$18 billion in infrastructure needs across the entire Resources Agency. The Legislature may want to consider some of these needs in evaluating the Governor's plan.

Oversight of Bond Funds. The voters of California passed a large general obligation bond package in November 2006. To ensure that the intent of the voters is carried out, the Legislature should carefully monitor how departments spend these bond funds. The Legislature may wish to consider requiring quarterly status reports to be sent to the budget committees so that the usage of the funds can be tracked by department.

Information Technology. Multiple Resources Agency departments are requesting funds for data management, mapping, or other information technology related purposes. In considering these proposals, the Legislature may wish to examine these projects for significant overlap and potential for interdepartmental coordination.

CALFED Delta Action Plan. Pursuant to a federal-state accord signed in 1994, CALFED was administratively created as a consortium of state and federal agencies that have regulatory authority over water and resource management responsibilities in the Bay-Delta region. The CALFED program now encompasses 12 state and 13 federal agencies. The objectives of the program are to: (1) provide good water quality for all uses; (2) improve fish and wildlife habitat; (3) reduce the gap between water supplies and projected demand; and (4) reduce the risks from deteriorating levees. In 2006 the Legislature moved the responsibilities for CALFED away from the Bay-Delta Authority to various Resource Agency departments. The Legislature may wish to follow up on the implementation of this oversight, planning, and program execution change. Specifically, the Legislature may wish to question CALFED progress on areas of governance, program and fiscal management, program priorities, implementation schedules, conservation plans, the 100-Year Delta Vision, and the near-term funding plan.

0540 Secretary for Resources

Background. The Secretary for Resources heads the Resources Agency. The Secretary is responsible for overseeing and coordinating the activities of the departments, commissions, conservancies, and other boards and authorities that make up the Resources Agency.

Governor's Budget. The Governor's Budget proposes \$57 million to support the Secretary for Resources in 2007-08. This is nearly 63 percent less than estimated expenditures in the current year due to a reduction in the resources bond funds available for appropriation.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Administration	\$ 165,272	\$ 73,253	-\$92,019	-55.7
Total	\$ 165,272	\$ 73,253	-\$92,019	-55.7
Funding Source				
General Fund	\$ 5,909	\$ 6,005	\$ 96	1.6
Special Funds	3,478	3,316	-162	-4.7
Bond Funds	148,323	47,714	-100,609	-67.8
<i>Budget Act Total</i>	<i>157,710</i>	<i>57,035</i>	<i>-100,675</i>	<i>-63.8</i>
Federal Trust Fund	5,004	199	-4,805	-96.0
Reimbursements	2,558	16,019	13,461	526.2
Total	\$ 165,272	\$ 73,253	-\$92,019	-55.7

Highlights

San Joaquin River Restoration. The Governor's Budget proposes \$13.9 million in Proposition 84 bond funds to support implementation of a settlement agreement between the federal government, local water users, and environmental advocates to restore portions of the San Joaquin River, including channel modifications and ecosystem restoration projects that will be implemented by the Department of Water Resources and Department of Fish and Game.

Bond Funds for River Parkways Program. The Governor's Budget proposes to allocate \$20.5 million in the budget year from the Propositions 50 resources bond to fund the River Parkways Program.

CalFED Science Program Research Grants. The Governor proposes to allocate \$10.5 million in the budget year from Proposition 84 and Proposition 50 resources bonds to fund CalFED Science Program research grants.

Issues

Bond Funding. In November 2006 the voters passed Proposition 1E and Proposition 84, which provide a significant amount in general obligation bond funds for resources related uses, such as flood protection, water quality, and parks. The Legislature may wish to examine how the Secretary for Resources is coordinating bond fund projects and the oversight of bond funds use.

Oversight of the CALFED Program. In 2006 the Legislature moved the responsibilities for CALFED away from the Bay-Delta Authority to various Resource Agency departments. The Legislature may wish to follow up on the implementation of this oversight, planning, and

program execution change. Specifically, the Legislature may wish to question CALFED progress on areas of governance, program and fiscal management, program priorities, implementation schedules, conservation plans, the 100-Year Delta Vision, and the near-term funding plan.

3340 California Conservation Corps

Background. The California Conservation Corps (Corps) assists federal, state and local agencies and nonprofit entities in conserving and improving California's natural resources while providing employment, training, and educational opportunities for young men and women. The Corps provides on-the-job training and educational opportunities to California residents aged 18 through 23, with projects related to environmental conservation, fire protection, and emergency services. Some activities traditionally associated with the Corps are tree planting, stream clearance, and trail building. The Corps also develops and provides funding for 11 community conservation corps.

Governor's Budget. The Governor's Budget proposes \$65.4 million to support the California Conservation Corps in 2007-08. This is a 4 percent increase from estimated expenditure levels in the current year. General Fund support for the Corps is proposed to increase by about 13 percent in the budget year due to a proposal to increase the department's General Fund support and reduce the department's reliance on reimbursements.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Training and Work Program	\$ 62,231	\$ 61,678	-\$553	0.9
Capital Outlay	892	3,691	2,799	313.8
Administration	7,525	7,783	258	3.4
<i>less distributed administration</i>	-\$7,525	-\$7,783	-258	3.4
Total	\$ 63,123	\$ 65,369	\$ 2,246	3.6
Funding Source				
General Fund	\$ 35,805	\$ 40,606	\$ 4,801	13.4
Collins-Dugan California Conservation Corps Reimbursement Account	23,857	23,852	-5	0
Other Special Funds	628	648	20	3.2
Bond Funds	2,833	263	-2,570	-90.7
Total	\$ 63,123	\$ 65,369	\$ 2,246	3.6

Highlights

Increased General Fund Support. The Governor's Budget proposes \$4.8 million General Fund to maintain the Corps operations. Over the past few years, the level of reimbursements received has been decreasing. The budget proposal indicates that this level of funding is needed to maintain current operations given the instability of reimbursements.

3480 Department of Conservation

Background. The Department of Conservation (DOC) is charged with the development and management of the state's land, energy, and mineral resources. The department manages programs in the areas of: geology, seismology, and mineral resources; oil, gas, and geothermal resources; agricultural and open-space land; and beverage container recycling.

Governor's Budget. The Governor's Budget proposes \$1.2 billion to support DOC in the budget year. This is an increase of \$216 million over the estimated expenditures in the current year. The majority of this increase is from the Beverage Container Recycling and Litter Reduction program due to recent legislation that increased the California Redemption Value (CRV) payments.

Summary of Expenditures					
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change	
Type of Expenditure					
Geologic Hazards and Mineral Resources Conservation	\$ 23,769	\$ 24,227	\$ 458	1.9	
Oil, Gas, and Geothermal Resources	18,866	19,793	927	4.9	
Land Resource Protection	25,738	36,250	10,512	40.8	
Beverage Container Recycling and Litter Reduction	972,528	1,177,673	205,145	21.1	
Office of Mine Reclamation	8,148	6,860	-1,288	-15.8	
Administration	12,061	13,296	1,235	10.2	
<i>less distributed administration</i>	-12,061	-13,296	-1,235	10.2	
Total	\$ 1,049,049	\$ 1,264,803	\$ 215,754	20.6	

Funding Source					
General Fund	\$ 4,587	\$ 4,668	\$ 81	1.8	
Special Funds	1,010,328	1,215,647	205,319	20.3	
Bond Funds	22,278	32,631	10,353	46.5	
<i>Budget Act Total</i>	<i>\$ 1,037,193</i>	<i>\$ 1,252,946</i>	<i>\$ 215,753</i>	<i>20.8</i>	
Federal Trust Fund	1,813	1,809	-\$4	-0.3	
Bosco-Keene Renewable Resources Investment Fund	994	1,002	8	0.8	
Reimbursements	9,050	9,046	-4.00	0	
Total	\$ 1,049,050	\$ 1,264,803	\$215,753	20.6	

Highlights

Agricultural Land Preservation. The Governor's Budget proposes \$12.3 million from Proposition 84 bond funds for four positions to assist communities to build sustainable, clean communities; facilitate planning efforts to develop conservation easements that preserve agricultural land resources and their associated wildlife habitat values; facilitate the development of mitigation programs related to the conversion of agricultural land to urban; and related other uses.

Green City Partnership Initiative. The Governor's Budget proposes \$10.4 million from Proposition 84 bond funds for three limited-term positions and implementation costs for the Green City Partnership Initiative. This initiative would provide grants to enhance existing local general plans to incorporate multiple land use projects that would promote more environmentally sustainable communities. \$4 million of these funds would be used for mapping of natural resources data.

Comprehensive Recycling Community Project. The Governor's Budget proposes \$1.9 million in special funds to fund four positions and start-up costs of the Comprehensive Recycling Community (CRC) project. The CRC project intends to increase beverage container recycling by 50 percent in selected communities and to develop strategies, applicable to any community to maximize the recycling potential. This pilot project will select four cities and work with the local governments to implement strategies.

SMARA Lead Agency Compliance Review Program. The Governor's Budget proposes \$585,000 in special funds for five permanent positions to conduct audits of Surface Mining and Reclamation Act lead agency compliance and financial assurances. The State Mining and Geology Board has raised concerns that some lead agencies are not enforcing reclamation plans, and to date has taken over lead agency powers from two counties. The Legislative Analyst's Office has also raised concerns that some of the mining financial assurances may be inadequate for the required future environmental clean-ups.

Beverage Container Recycling Program Enforcement. The Governor's Budget proposes \$1.1 million to fund five permanent and five three-year limited-term positions to combat fraud in the Beverage Container Recycling Program. The passage of SB 332 (Sher) in 1999 added new types of beverage containers to the recycling program and increased eligible distributors from 969 to 3,234. The department has fallen behind in researching and assessing liability from unregistered companies. The department estimates that based on the number of registered participants with outstanding liabilities, delinquent reports, and the number of unregistered companies, the state is suffering revenue loss of approximately \$8.5 million annually.

Issues

Williamson Act Enforcement Revenue. The owner of agricultural land can enter into a contract, under the Williamson Act, to have that land used only for agricultural purposes for ten years, while in exchange lower property taxes are assessed on the land. If the owner of the property breaks the contract by constructing non-agricultural buildings on the property, the owner can be fined under the Williamson Act. During 2006-07 the Legislature provided \$463,000 for five two-year limited-term positions to increase Williamson Act enforcement. The increased enforcement of the Williamson Act increased revenues from fines. The Legislature may wish to consider making these enforcement positions permanent and appropriating some of the funds from the fines for the purchase of permanent agricultural easements.

3540 Department of Forestry and Fire Protection

Background. The California Department of Forestry and Fire Protection (CDF), under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by state or local agencies. In addition, CDF: (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

Governor's Budget. The Governor's Budget provides \$686 million to support CDF in 2007-08. This is approximately \$38 million, or 6 percent, more than the level of expenditures estimated for the current year. The increase is due to increased capital outlay expenditures as well as employee compensation costs increases associated with fire protection. General Fund support for the department is also proposed to increase by approximately 5 percent as a result of increased capital outlay spending.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Office of the State Fire Marshal	\$ 14,383	\$ 15,766	\$ 1,383	9.6
Fire Protection	845,660	851,201	5,541	0.6
Resource Management	56,822	69,017	12,195	21.5
Capital Outlay	8,793	30,954	22,161	252
Administration	66,759	67,006	247	0.4
<i>less distributed administration</i>	-66,129	-66,382	-253	0.4
Total	\$ 926,288	\$ 967,562	\$ 41,274	4.5
Funding Source				
General Fund	\$ 625,768	\$ 654,938	\$ 29,170	4.7
Special Funds	8,337	8,785	448	5.4
Bond Funds	12,947	22,005	9,058	69.9
<i>Budget Act Total</i>	<i>\$ 647,052</i>	<i>\$ 685,728</i>	<i>\$ 38,676</i>	<i>5.9</i>
Federal Trust Fund	29,311	26,258	-3,053	-10.4
Forest Resources Improvement Fund	699	7,802	7,103	1016.1
Timber Tax Fund	31	33	2	6.4
Reimbursements	249,199	247,741	-1,458	-0.6
Totals	\$ 926,292	\$ 967,562	\$ 41,270	4.5

Highlights

Urban Forestry and Greening Projects. The Governor's Budget includes \$9.3 million in various bond funds for urban forestry and urban greening projects. CDF has encountered, in past years, non-implementation of grants by non-profits. The Legislature should examine CDF's criteria for providing grants and whether there is sufficient annual demand for such grants to appropriate the entire \$9 million in 2007-08.

Employee Compensation. The Governor's Budget includes \$4.1 million in reimbursement authority to fund increased employee compensation costs associated with funding year-round fire protection statewide.

Issues

Vendor Payments. The Governor proposes budget bill language allowing CDF to receive a General Fund loan for an unidentified amount in order to pay vendors in a timely manner. The current reimbursement system relies on actual expenditures and creates lag time between services received and payment for those services. CDF has been penalized for late payments to DVBE vendors. The Legislature may wish to consider having CDF report back on a more sustainable solution than continual General Fund loans.

Mobile Equipment Purchases. As part of the 2006-07 Budget, the Legislature has requested CDF to submit a report on January 10, 2007, on its expenditures for mobile equipment and recommended changes to the mobile equipment procurement process to ensure more timely purchases. The Legislature may wish to review this report once it is submitted for potential ways to improve CDF mobile equipment procurement.

Local Versus State Fire Protection Activities. The state is responsible for fire protection of approximately one-third (31 million acres) of state lands, which are areas deemed state responsibility areas (SRAs). The SRA that the department protects is mainly privately owned forestlands, watersheds, and rangelands. The state does not have primary responsibility for fire protection of structures or general emergency response, as this responsibility belongs to local fire protection and emergency response entities. However, during fire events and other emergency response events, the state typically works collectively with the locals to defend life and property and respond to emergencies. Defending life and property and responding to general emergencies increases state fire protection costs significantly. In some cases, the state does have contracts with local government to provide general emergency response functions. However, CDF's relationship and the allocation of responsibilities with locals has been further blurred now that CDF is providing year-round staffing of fire engines statewide. The Legislature may wish to evaluate the relationship between state fire protection and local services and determine an appropriate funding structure for the evolving services provided by CDF.

Capital Outlay Design and Management. As part of the 2006-07 Budget, the Legislature requested a report on the actions that Department of General Services is taking, or plans to take, to address a backlog that has developed in the design and management by DGS of CDF's major capital outlay projects. The Legislature may wish to review this report to analyze if there are ways to improve the capital outlay process.

Infrastructure Bond. The Legislature may wish to evaluate the actual infrastructure needs identified by the department in the updated Five Year Infrastructure Plan that is forthcoming

from the administration. The 2006 Infrastructure Plan identified over \$1.4 billion in infrastructure needs for the department through 2010-011.

3560 State Lands Commission

Background. The State Lands Commission (SLC) is responsible for the management of lands that the state has received from the federal government. These lands total more than four million acres and include tide and submerged lands, swamp and overflow lands, the beds of navigable waterways, and vacant state school lands.

Governor's Budget. The Governor's Budget proposes \$24.6 million (\$10.2 million General Fund) for SLC. This is a decrease of \$310,000 over the estimated expenditures in the current year. This decrease is due to a one-time expenditure in the current year to fund remediation of a toxic site owned by the state.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Mineral Resource Management	\$ 9,831	\$ 8,161	-\$1,670	-16.9
Land Management	9,620	9,547	-73	-0.8
Marine Facilities Division	9,441	10,902	1,461	15.5
Administration	3,516	3,456	-60	-1.7
<i>less distributed administration</i>	-3,516	-3,456	60	-1.7
Total	\$ 28,892	\$ 28,610	-\$282	-0.9
Funding Source				
General Fund	\$ 10,292	\$ 10,213	-\$79	-0.8
Special Funds	14,639	14,408	-231	-1.6
Bond Funds	0	0	0	
<i>Budget Act Total</i>	<i>24,931</i>	<i>24,621</i>	<i>-310</i>	<i>-1.2</i>
Reimbursements	3,532	3,554	22	0.6
Land Bank Fund	429	435	6	1.4
Total	\$ 28,892	\$ 28,610	-\$282	-1.0

Highlights

Marine Oil Terminal Inspectors. The Governor's Budget proposes \$702,000 from special funds for four positions to carry out Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) audits and related work. The MOTEMS audits are a regulatory requirement. These audits contain extensive inspection criteria and require engineering analyses to determine the structural, mooring, and berthing capacity of the oil terminals.

Remediation of Toxic State Lands at Selby. The Governor's Budget proposes \$1.2 million General Fund to fund the state's portion of remediation work at state-owned land in Selby. These funds will be used to fund de-acidification remediation of soils work at certain portions of the site.

Marine Safety Inspectors. The Governor's Budget proposes \$568,000 for five positions to perform ballast water testing on vessels entering California ports. The Marine Invasive Species Act (AB 433, Nation) requires that 25 percent of qualifying vessels have their ballast water tested in order to limit the entry of non-native species into California Waters. Currently, the department is testing between 14 and 16 percent of all qualifying vessels.

Issues

City of Long Beach. Legislation (Chapters 81 and 521, Statutes of 2005) created a new Oil Trust Fund to fund environmental cleanup of the tidelands oil fields in the City of Long Beach. The legislation transferred tidelands oil funds held by the city to the new fund and provides that \$2 million from monthly tidelands oil revenues also be deposited in the fund until the fund balance reaches \$300 million. The California State Lands Commission completed a study of the cost to perform environmental mitigation on the land. The study found current clean-up costs to be \$243 million, but over 30 years the cost would grow, with inflation. Further review of this information is warranted.

3600 Department of Fish and Game

Background. The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish, wildlife, and natural resources of the state. The Fish and Game Commission sets policies to guide the department in its activities and regulates fishing and hunting. The DFG currently manages about 850,000 acres including ecological reserves, wildlife management areas, hatcheries, and public access areas throughout the state.

Governor's Budget. The Governor's Budget proposes \$315 million to support DFG in the budget year. This is about 19 percent less than estimated expenditures in the current year due to a reduction in General Fund and bond funds available for appropriation. General Fund support for the department is proposed to decrease by 40 percent.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Biodiversity Conservation Program	\$ 302,776	\$ 240,392	-\$62,384	-20.6
Hunting, Fishing, and Public Use	55,413	57,979	2,566	4.6
Management of Lands and Facilities	65,832	56,259	-9,573	-14.5
Conservation Education and Enforcement	52,866	55,336	2,470	4.7
Spill Prevention and Response	32,799	34,137	1,338	4.1
Capital Outlay	1,314	2,922	1,608	122.4
Administration	46,521	40,677	-5,844	-12.6
<i>less distributed administration</i>	-46,512	-40,677	5,835	-12.6
Totals	\$ 511,009	\$ 447,025	-\$63,984	-12.6
Funding Source				
General Fund	\$ 133,078	\$ 78,565	-\$54,513	-40.9
Special Funds	123,416	152,659	29,243	23.7
Bond Funds	133,628	83,996	-49,632	-37.1
<i>Budget Act Total</i>	<i>\$ 390,122</i>	<i>\$315,220</i>	<i>\$-74,902</i>	<i>-19.2</i>
Federal Trust Fund	57,270	57,701	431	0.7
Reimbursements	65,350	69,810	4,460	6.8
Salton Sea Restoration Fund	2,644	2,718	74	2.8
Harbors and Watercraft Revolving Fund	5	5	-	0
Special Deposit Fund	610	1,435	825	135.2
Coastal Wetlands Account	-5,000	136	5,136	-102.7
Total	\$ 511,001	\$ 447,025	-\$63,976	-12.5

Highlights

CalFED Bay Delta Ecosystem Restoration Program. The Governor's Budget proposes \$47 million from Proposition 84 funds for water quality projects in the Bay Delta region.

Salton Sea Restoration. The Governor's Budget proposes \$45 million from Proposition 84 funds for restoration of the Salton Sea.

Anadromous Fish Management. The Governor's Budget proposes \$11.5 million from Proposition 84 bond funds for 14.5 positions and program costs for Coastal Salmonid Monitoring Plan implementation, Coho Recovery Plan implementation, Coastal Steelhead and Chinook Recovery, and the Steelhead Report Card Program.

Yuba Feather River Flood Control. The Governor's Budget proposes \$7.4 million in special funds for environmental mitigation, restoration, and enhancement measures for the Yuba Feather River Flood Control Project.

Lower Colorado River Multi-Species Habitat Conservation Plan. The Governor's Budget proposes \$6.8 million from Proposition 84 bond funds for the acquisition of lands for natural resource protection and public access to natural resources, consistent with the Lower Colorado River Multi-Species Habitat Conservation Plan.

Issues

Quagga Mussel Invasion. A highly invasive fresh-water Quagga Mussel, related to the Zebra Mussle, was discovered in California on January 17, 2007. The Quagga Mussel was found in Lake Havasu and on the Metropolitan Water District intake pumps. DFG has expressed concern that the species could cause potentially wide-spread damage to drinking water pumping systems and other related infrastructure. The Legislature may wish to examine this issue to determine the proper course of action.

Salmon and Steelhead Trout Restoration. As part of the 2006-07 Budget Act, the Legislature required DFG to submit a report on the use of state funds to restore the Klamath River. The Legislature may wish to review this report to evaluate if the state could undertake a more systematic approach to Klamath River restoration.

3640 Wildlife Conservation Board

Background. The Wildlife Conservation Board (WCB) acquires property in order to protect and preserve wildlife and provide fishing, hunting, and recreational access facilities. The WCB is an independent board in the Department of Fish and Game and is composed of the Director of the Department of Fish and Game, the Director of the Department of Finance, and the Chairman of the Fish and Game Commission. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

Governor's Budget. The Governor's Budget proposes \$155 million to support the WCB in the budget year. This is over a 72 percent reduction from estimated expenditures in the current year due to a reduction in the resources bond funds. General Fund support for the board increased by less than 9 percent in the budget year.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
State Operations	\$ 3,933	\$ 4,281	\$ 348	8.8
Capital Outlay	563,457	151,533	-411,924	-73.1
Total	\$ 567,390	\$ 155,814	-\$411,576	-72.5
Funding Source				
General Fund	\$ 5,201	\$ 16,149	\$ 10,948	210.5
Special Funds	-7,266	3,058	10,324	-142.1
Bond Funds	557,128	135,607	-421,521	-75.6
<i>Total Budget Act</i>	<i>\$555,063</i>	<i>\$154,814</i>	<i>-\$400,249</i>	<i>-72.1</i>
Reimbursements	8,226	1,000	-7,226	-87.8
Oak Woodlands Conservation Fund	4,160	0	4,160	100.0
Total	\$ 567,449	\$ 155,814	-\$403,315	-72.1

Highlights

Wildlife Protection Capital Outlay Projects. The Governor's Budget proposes \$68.3 million for Natural Communities Conservation Planning and oak woodlands conservation, as well as grants to integrate agricultural activities with ecosystem restoration and grants for grazing land, grassland, and rangeland protection.

Continuous Appropriation of Proposition 84 Funds. The Governor's Budget proposes \$60 million of Proposition 84 bond fund expenditures in 2006-07, and another \$60 million of Proposition 84 bond fund expenditures in 2007-08. These funds would come from a continuously appropriated allocation for forestry conservation, protection, and habitat preservation.

3680 Department of Boating and Waterways

Background. The Department of Boating and Waterways (DBW) is responsible for planning and developing boating facilities on waterways throughout California. It is also responsible for protecting the public's right to safe boating by providing subventions to local law enforcement agencies. The department is also responsible for boating safety and education, licensing yachts, aquatic weed control in the Sacramento-San Joaquin Delta, and beach erosion control along California's coast.

Governor's Budget. The Governor's Budget proposes \$76.7 million to support DBW, which is approximately 12 percent less than expenditures in the current year. (The majority of DBW's budget is not subject to appropriation in the budget act. Only \$500,000 is subject to the Budget Act.) The department is not supported by the General Fund.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Boating Facilities	\$ 59,117	\$ 49,561	-\$9,556	-16.2
Boating Operations	20,519	20,678	159	0.8
Beach Erosion Control	1,641	311	-1,330	-81.1
Capital Outlay	6,045	6,140	95	1.6
Administration	2,447	2,361	-86	-3.5
<i>less distributed administration</i>	-2,447	-2,361	86	-3.5
Total	\$ 87,322	\$ 76,690	-\$10,632	-12.2
Funding Source				
General Fund	\$ -	\$ -	\$ -	0
Special Funds	1,250	500	-750	-60
<i>Budget Act Total</i>	<i>1,250</i>	<i>500</i>	<i>-750</i>	<i>-60</i>
Federal Trust Fund	13,499	10,036	-3,463	-25.6
Reimbursements	1,015	1,015	0	0
Harbors and Watercraft Revolving Fund	71,558	65,139	-6,419	-9.9
Total	\$ 87,322	\$ 76,690	-\$10,632	-13.2

Highlights

Public Small Craft Harbor Loans. The Governor proposes \$12 million in special funds for loans to develop new marinas and expand and rehabilitate existing marinas.

Launching Facility Grants. The Governor proposes \$12.9 million in special funds for grants for the construction of launching ramps and other facilities used when launching boats.

Private Recreational Marina Loans. The Governor proposes \$6 million in special funds for loans to fund private recreational marinas.

3720 California Coastal Commission

Background. The California Coastal Commission, following its initial creation in 1972 by a voter initiative, was permanently established by the State Coastal Act of 1976. In general, the act seeks to protect the state's natural and scenic resources along California's coast. It also delineates a "coastal zone" running the length of California's coast, extending seaward to the state's territorial limit of three miles, and extending inland a varying width from 1,000 yards to several miles. The commission's primary responsibility is to implement the act's provisions. It is also the state's planning and management agency for the coastal zone. The commission's jurisdiction does not include the San Francisco Bay Area, where development is regulated by the San Francisco Bay Conservation and Development Commission.

Governor's Budget. The Governor's Budget proposes \$12.6 million for support of the Coastal Commission in 2007-08. This level of spending is approximately the same as the current year. General Fund support for the department is also proposed to stay nearly at the same level.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Coastal Management Program	\$ 16,337	\$ 16,090	-\$247	-1.5
Coastal Energy Program	763	860	97	12.7
Administration	1,739	1,751	12	0.7
<i>less distributed administration</i>	-1,658	-1,651	7	-0.4
Total	\$ 17,181	\$ 17,050	-131	-0.8
Funding Source				
General Fund	\$ 11,460	\$ 11,351	-109	-0.9
Special Funds	1,333	1,298	-35	-2.6
<i>Budget Act Total</i>	<i>\$12,793</i>	<i>\$ 12,649</i>	<i>\$-144</i>	<i>-1.1</i>
Federal Trust Fund	3,052	2,910	-142	-4.6
Reimbursements	1,337	1,491	154	11.5
Total	\$ 17,182	\$ 17,050	\$-132	-0.8

Issues

North Coast Enforcement. Currently the Coastal Commission does not have sufficient staff to adequately enforce the State Coastal Act compliance in Northern California. Lack of enforcement means violations of the State Coastal Act can occur without due penalties. The Legislature may wish to review the Coastal Commission's enforcement staffing levels.

Alternative Energy Projects. The Coastal Commission is receiving interest in alternative energy projects, such as wave energy, on the coast. The commission has been contacted by 12 interested parties in the last year who wish to pursue projects on the coast for alternative energy. However, the commission currently does not have expertise on staff to review these types of energy projects. The utilization of alternative energy is relevant at this time as the Legislature has recognized the importance of global climate change and the need for California to actively pursue solutions to this problem. The Legislature may wish to evaluate the commission's workload in energy related activities and determine whether additional funding is warranted.

3790 Department of Parks and Recreation

Background. The Department of Parks and Recreation (DPR) acquires, develops, and manages the natural, cultural, and recreational resources in the state park system and the off-highway vehicle trail system. In addition, the department administers state and federal grants to local entities that help provide parks and open-space areas throughout the state.

The state park system consists of 277 units, including 31 units administered by local and regional agencies. The system contains approximately 1.4 million acres, which includes 3,800 miles of trails, 300 miles of coastline, 800 miles of lake and river frontage, and about 14,800 campsites. Over 80 million visitors travel to state parks each year.

Governor's Budget. The Governor's Budget proposes \$422 million to support DPR in 2007-08. This is about a 30 percent reduction from estimated expenditures in the current year. General Fund support for the department is proposed to decrease by about 35 percent reflecting an adjustment for one-time projects.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Support of the Department of Parks and Recreation	\$ 466,148	\$ 382,490	-\$83,658	-17.9
Local Assistance Grants	93,458	44,279	-49,179	-52.6
Capital Outlay	169,174	67,011	-102,163	-60.4
Total	\$ 728,780	\$ 493,780	-235,000	-32.2
Funding Source				
General Fund	\$ 231,630	\$ 150,359	-81,271	-35.1
Special Funds	233,056	202,950	-30,106	-12.9
Bond Funds	139,291	69,403	-69,888	-50.2
<i>Budget Act Total</i>	<i>\$ 603,977</i>	<i>\$422,712</i>	<i>\$-181,265</i>	<i>-30</i>
Federal Trust Fund	77,633	27,241	-50,392	-64.9
Reimbursements	46,136	43,013	-3,123	-6.4
Harbors and Watercraft Revolving Fund	747	814	67	8.9
California Missions Foundation Fund	289	0	-289	-100
Total	\$ 728,782	\$ 493,780	\$-235,002	-32.2

Highlights

Infrastructure Bond. In November 2006 the voters passed Proposition 84, which provides \$400 million in general obligation bond funds for the state parks system for purposes of acquisition, development, and restoration of state parks. The Governor's Budget includes approximately \$26.7 million in Proposition 84 bond funds for the Department of Parks and Recreation.

Planning and Administrative Staff for Proposition 84. The Governor's Budget proposes \$5.2 million from Proposition 84 bond funds for 61 positions. These positions would provide the department with the expertise to implement Proposition 84 funded projects. These additional staff would work on planning and administering spending of the \$400 million provided to the department by Proposition 84.

Grant Management Staff for Proposition 84. The Governor's Budget proposes \$1.4 million from Proposition 84 bond funds for 10 new positions and support funding to administer department grants to local agencies and non-profits.

Bond Oversight Staff. The Governor's Budget proposes \$1.1 million from Proposition 84 bond funds for 8.4 new positions to oversee the bond on behalf of all recipient departments. These staff would be responsible for bond coordination, accounting, budgeting, and auditing. In addition, these staff would provide bond-related legal and GIS support to the Resources Agency.

Remediation Measures at Empire Mine. The Governor's Budget proposes \$4.1 million General Fund for contamination remediation measures at the Empire Mine State Historic Park.

Museum of Tolerance. The Governor's Budget proposes \$5 million General Fund for an expansion of the Museum of Tolerance at the Simon Wiesenthal Center. The expansion would create a new Inter-Dependence Culture Center.

Capital Outlay. The Governor's Budget proposes \$67 million from various bond funds for multiple capital outlay projects in state parks.

Issues

Infrastructure Bond. The Governor's Budget proposes to return \$160 million in General Fund appropriated in the 2006-07 Budget for parks maintenance and replace those funds with Proposition 84 bond funds. The department estimates that its backlog of deferred maintenance for the state park system is around \$900 million. The Legislature may wish to examine if maintenance of existing facilities is a proper use of bond funds.

3860 Department of Water Resources

Background. The Department of Water Resources (DWR) protects and manages California's water resources. In this capacity, the department maintains the State Water Resources Development System, including the State Water Project. The department also maintains public safety and prevents damage through flood control operations, supervision of dams, and water projects. The department is also a major implementing agency for the CALFED Bay-Delta Program, which is putting in place a long-term solution to water supply reliability, water quality, flood control, and fish and wildlife problems in the San Francisco Bay Delta.

Additionally, the department's California Energy Resources Scheduling (CERS) division manages billions of dollars of long-term electricity contracts. The CERS division was created in 2001 during the state's energy crisis to procure electricity on behalf of the state's three largest investor owned utilities (IOUs). The CERS division continues to be financially responsible for the long-term contracts entered into by the department. (Funding for the contracts comes from ratepayer-supported bonds.) However, the IOUs manage receipt and delivery of the energy procured by the contracts. (More on the CERS division of DWR is included in the Energy and Utilities section of this report.)

Governor's Budget. The Governor's Budget proposes \$1.4 billion to support DWR in the budget year. This is a 27 percent increase over estimated expenditures in the current year mainly

the result of an increase in the amount of resources bond funds available for appropriation. General Fund support for the department is proposed to decrease by 99 percent to reflect a shift to bond funding. An additional \$6.4 billion is not subject to the Budget Act (these funds are primarily for energy payments related to the 2001 electricity crisis).

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
California Water Plan	\$ 419,532	\$ 646,666	\$ 227,134	54.1
State Water Project				
Infrastructure	816,859	835,566	18,707	2.2
Public Safety and Prevention				
of Damage	262,430	597,163	334,733	127.5
Services	8,943	9,252	309	3.5
California Energy Resources				
Scheduling	5,789,862	5,577,211	-212,651	-3.7
Capital Outlay	451,074	196,607	-254,467	-56.4
Administration	63,700	63,848	148	0.2
<i>less distributed</i>				
<i>administration</i>	-63,700	-63,848	-148	0.2
Loan Repayment Program	-4,013	-4,013	0	0
Total	\$ 7,744,687	\$ 7,858,452	\$ 113,765	1.5
Funding Source				
General Fund	\$ 688,065	\$ 5,115	-\$682,950	-99.3
Special Funds	12,717	11,923	-794	-6.2
Bond Funds	398,035	1,378,611	980,576	246.3
<i>Budget Act Total</i>	<i>\$1,098,817</i>	<i>\$1,395,649</i>	<i>\$296,832</i>	<i>27</i>
Federal Trust Fund	12,665	12,863	198	1.6
State Water Project Funds	817,898	837,026	19,128	2.3
DWR Electric Power Fund	5,789,862	5,577,211	-212,651	-3.7
Bosco-Keene Renewable				
Resources Investment Fund	20	0	-20	
Reimbursements	25,425	35,703	10,278	40.4
Total	\$ 7,744,687	\$ 7,858,452	\$ 113,765	1.4

Highlights

Infrastructure Bond. The Governor's Budget includes \$1.3 billion in bond funds for flood control and water supply investments. The majority of these funds are from the Proposition 84 and Proposition 1E bonds passed by voters in November 2006. The bond funds are allocated as follows:

- \$257.8 million is proposed for integrated regional water management and stormwater flood management. These funds would start a new ten-year program.
- \$23.5 million is proposed for the Delta Water Quality Program. These funds would be continuously appropriated up to \$125 million.
- \$369.8 million is proposed for evaluating and improving the State's flood control system. Of this amount, \$342.9 million would be for local assistance. The funds would support 52 new positions and various flood and levee programs.
- \$62.7 million is proposed for multi-benefit planning and feasibility studies related to future water needs.
- \$9.1 million is proposed for an urban streams grant program.
- \$255,000 is proposed for two positions to provide fiscal administration, coordination, and oversight of bond funds.
- \$149 million in various capital outlay expenditures, including \$100 million for levee repair.

Flood Management Comprehensive Strategic Plan. The Governor's Budget proposes \$11.9 million from AB 142 and Proposition 13 bond funds for 32 new positions to work on flood management issues, including improving maintenance programs, improving the effectiveness of emergency response programs, and updating floodplain maps.

San Joaquin River Restoration. The Governor's Budget proposes \$1.3 million in Proposition 13 bond funds to fund contracts and equipment for investigating, developing and implementing channel modifications on the San Joaquin River. In addition, these funds will be used as part of the State's cost share portion of actions proposed by the settlement of the *Friant Water User Authority and the Natural Resources Defense Council* lawsuit.

San Joaquin River Restoration Reimbursements. The Governor's Budget proposes \$57.9 million in reimbursement authority over five years for easement and title fee purchases, channel and structural improvements, and related research.

All-American Canal Lining. The Governor's Budget proposes \$82 million (\$47 million General Fund) for the lining of the All-American and Coachella Canals. This funding is consistent with the Quantification Settlement Agreement to reduce California's use of Colorado River water.

Sacramento Valley Water Management Program. The Governor's Budget proposes \$8.4 million in Proposition 204 bond funds to plan and implement a series of projects that would help meet the flow objectives required to maintain water quality in the Bay-Delta.

Contra Costa Water District Canal Lining. The Governor's Budget proposes \$2.8 million in Proposition 13 bond funds to fund phase II of possible retrofitting or contractions of new conveyance facilities along a segment of the Contra Costa Canal. This project is in the CALFED Record of Decision.

CALFED Surface Storage Program. The Governor's Budget includes \$3.7 million in various bond funds to fund the CALFED Surface Storage Program. Funding is allocated to the following projects:

- Common Assumptions (\$492,000).
- North of Delta Storage – Sites Reservoir (\$1.2 million).
- Los Vaqueros Reservoir Enlargement (\$1 million).
- Upper San Joaquin River Storage (\$1 million).

CALFED Conveyance and Water Quality Program Projects. The Governor's Budget includes \$5.9 million in various bond funds to continue evaluation and implementation of fish facility improvements at State Water Project and Central Valley Project fish collection facilities located in the South Delta. Funding will also be used to study South Delta hydrodynamics in order to continue fish entrainment evaluation. Funding will also be used to continue the Franks Tract Pilot Project alternatives development.

CALFED Bay-Delta Program Fish Passages. The Governor's Budget proposes \$1.2 million in Proposition 50 bond funds for 7.6 existing positions in the continued management, administration, and implementation of the CALFED fish passages program.

Issues

Infrastructure Bond. The Governor's Budget proposal contains a significant amount of new policy regarding funding flood management and water supply projects. The Legislature may wish to review these policies and determine whether they are consistent with its policy goals. The Legislature may also wish to review the benefits of the projects proposed for funding, including potential benefits to the environment and water supply. Furthermore, the Legislature may wish to evaluate the "green" construction policies of the department and whether to require a greater amount of environmentally sensitive construction practices.

Oversight of Bond Funds. In November 2006 the voters of California approved a large amount of general obligation bond funding for the state's water supply, levees, and other water related structures. To ensure that the intent of the voters is carried out, the Legislature should carefully monitor how the DWR spends these bond funds. The Legislature may wish to consider requiring quarterly status reports to be sent to the budget committees so that the usage of the funds can be tracked with greater transparency.

3870 California Bay-Delta Authority

Background. As part of the 2006-07 Budget Act, the Legislature transferred all positions and funding for the Bay-Delta Authority to the Department of Fish and Game, Resources Agency, the Department of Water Resources, and the Department of Health Services. The Resources Agency is continuing to support the public forums and stakeholder processes that were supported by the Bay-Delta Authority.

Governor's Budget. The Governor's Budget proposes no funding for the California Bay-Delta Authority, since the responsibilities of the department were moved to various other departments by the Legislature in 2006-07.

Regional Conservancies

Background. In order to promote the conservation of its land resources, the state has created nine regional conservancies that acquire and protect undeveloped lands in specific regions of the state. Located within the Resources Agency, conservancies are departments charged with, among other things, acquiring land in specified geographical areas in order to advance specified goals. While the particular statutory goals of each conservancy differ, in general, the conservancies were created to protect certain vital land resources that were endangered by development or other threats.

Governor's Budget. The Governor's Budget proposes \$277 million for the state's nine regional conservancies. This is nearly the same as estimated expenditures in the current year due to resources bond funds available for appropriation.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
3125 - California Tahoe Conservancy	\$ 42,054	\$ 45,512	\$ 3,458	8.2
3760 - State Coastal Conservancy	181,357	133,975	-47,382	-26.1
3810 - Santa Monica Mountains Conservancy	24,658	18,194	-6,464	-26.2
3825 - San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	6,741	38,834	32,093	476.1
3830 - San Joaquin River Conservancy	449	456	7	1.5
3835 - Baldwin Hills Conservancy	22,817	3,490	-19,327	-84.7
3845 - San Diego River Conservancy	296	3,194	2,898	979.1
3850 - Coachella Valley Mountains Conservancy	1,545	11,878	10,333	668.8
3855 - Sierra Nevada Conservancy	3,815	21,404	17,589	461.1
Total	\$ 283,732	\$ 276,937	-\$6,795	-2.4

Highlights

Tahoe Conservancy Biomass Utilization Project. The Governor's Budget proposes \$5.1 million in bond funds for a biomass energy pilot project in the Tahoe Basin. The Department of Forestry and Fire Protection would be a partner in the project.

Proposition 84 Bond Funds. The Governor's Budget proposes nearly \$230 million in Proposition 84 bond funds for conservancies. These proposals are:

- \$27.3 million for Tahoe Conservancy for wildlife enhancement, watershed restoration, land acquisitions, and public access and recreation.
- \$85.4 million for State Coastal Conservancy to protect, restore and enhance beaches, as well as carry out the goals of the San Francisco Bay Area Conservancy Program.
- \$1.5 million for State Coastal Conservancy to hire five additional staff to implement Proposition 84 projects.
- \$28 million for State Coastal Conservancy to carry out projects and programs of the California Ocean Protection Council.

- \$17 million for Santa Monica Mountains Conservancy for restoration of rivers, lakes and streams, their watershed and associated lands, as well as other natural resources.
- \$25 million for San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy for various capital outlay projects.
- \$523,000 for San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy for five new positions to help administer Proposition 84 bond funds.
- \$8.5 million for San Joaquin River Conservancy to develop the San Joaquin River Parkway.
- \$1.5 million for San Joaquin River Conservancy for capital outlay and local assistance.
- \$3 million for Baldwin Hills Conservancy for capital outlay and local grants.
- \$2.9 million for San Diego River Conservancy for urban greening projects.
- \$11.5 million for Coachella Valley Mountains Conservancy for land acquisition.
- \$17.5 million for Sierra Nevada Conservancy for local grants.